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POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

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CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN, No. 25, 30 Oct 1984

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese, No. 25, 30 Oct 1984.

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CONTENTS

| | |
|--|----|
| Circular of the CPC Central Committee and the State Council on Helping To Change the Face of Poor Areas as Soon as Possible (29 Sep 84) (Previously published) | |
| State Council Provisional Stipulations on Questions Concerning the Reform of the System of Building Construction and Capital Construction Management (18 Sep 84)..... | 1 |
| State Council Circular on the Approval and Circulation of State Planning Commission "Provisional Stipulations on the Reform of the System of Planning" (4 Oct 84)..... | 10 |
| Provisional Stipulations of the State Planning Commission on the Reform of the System of Planning (31 Aug 84)..... | 12 |
| State Council Circular on the Approval and Circulation of the Report by the Ministry of Foreign Economic Relations and Trade on the Reform of the System of Foreign Trade (15 Sep 84)..... | 23 |
| Report by the Ministry of Foreign Economic Relations and Trade on the Reform of the System of Foreign Trade (Summary) (14 Aug 84)..... | 25 |
| Foreign Minister Wu Xueqian's Speech at the 39th UNGA (26 Sep 84) (Previously published) | |

PROVISIONAL REGULATIONS ON REFORMS IN CAPITAL CONSTRUCTION

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 30 Oct 84 pp 870-875.

[State Council Provisional Regulations on Questions Concerning the Reform of the System of Building Construction and Capital Construction Management (18 September 1984)]

(Guofa [0948 4099] (1984) No 123)

[Text] In accordance with the spirit of the Second Session of the Sixth NPC concerning the reform of the system of building construction and capital construction management, the following stipulations are made on the relevant questions:

1. All-round enforcement of the system of investment contract responsibilities for construction projects. From now on, all new construction projects shall have to carry out the investment contract system. In the case of certain projects such as coal mines, fuel power stations, and so forth, the contract on the construction cost shall be based on the production capacity of the newly built units. In the case of construction of residential units, the contract on the construction price shall be on the cost per square meter or on the overall construction prices for small areas.

Concerning large and medium-sized projects under construction, it is necessary that within this year or next the investment contract agreement signed by the construction units and the department in charge shall be based on the approved estimates or the revised estimates, thus to enforce contracted construction. In the case of a project nearing completion, it is also necessary to enforce contracting for the remaining portion of the project on the basis of the budgeted amount of investment for the unfinished portion of the project. The agreement or contract of all projects enforcing the system of investment contracting shall clearly specify the responsibilities of both parties, the "contractor" and "guarantor." In the case of construction projects which have not yet carried out the system of contracting by public bidding, the construction units shall, in accordance with the demands of investment contracting, sign agreements with the building and installation enterprise and the relevant units, making sure of enforcement level by level, and leaving nothing uncovered.

2. The system of inviting tenders for contracting of projects shall be vigorously enforced. The old method of purely resorting to use of administrative measures for the distribution of construction tasks shall be reformed and the method of inviting tenders shall be enforced. The contracting-out unit shall select a good unit to do the surveying and planning work and a reliable construction and installation company.

Competition shall be encouraged and monopoly shall be guarded against. Units which have been checked and found to have the qualifications to submit tenders, regardless of whether they are state-run or run by collectives, and regardless of whatever locality or department they have come from, shall be permitted to submit tenders. The departments in charge of the projects and the local governments shall provide the necessary facilities and shall not create any difficulties for units whose tenders have been accepted but who have come from other departments or outside localities. A unit whose tender has been accepted and which has come from an outside locality shall not, without having received prior approval, set up a permanent, or covertly permanent, base in the place where the project is located.

The tender limits of projects calling for public bidding, if within the amounts of the approved estimates or revised estimates, shall be fixed by units making the invitation for tenders. As for examining the tenders and deciding thereon, the unit inviting the tenders shall invite the department in charge of the project, the capital construction principal department, and the construction bank to take part.

The unit whose tender has been accepted shall within a specified time limit sign an agreement with the contracting-out unit. The agreement shall clearly specify the responsibilities, and rights of both parties and contain clauses regarding awards and penalties.

Separate stipulations shall be formulated concerning the procedure of submission of tenders for construction projects within the country by foreign construction companies and Chinese-foreign jointly invested construction companies.

3. Contracting companies for construction projects shall be established to specially organize the construction of productive projects for industry, communications and other sectors. The various departments and localities shall all organize and establish a number of contractor companies for construction projects which are legal entities, operate independently and are solely responsible for their own profits and losses and shall gradually make these companies become the principal form for organizing construction projects. The circulation funds needed by the contractor-companies for construction projects shall be provided by loans from the construction bank.

Contractor companies for construction projects may, upon being commissioned by the relevant departments of construction projects (or the construction units) or being selected through the tender procedure, undertake package contracting, or partial contracting, for jobs, such as studying the feasibility of the construction project, surveying and planning, purchase of equipment, placing orders for materials, construction of project, and preparation for production and operation up to the completion of the project for operation.

Contractor companies for construction projects may contract for construction jobs which are transdepartmental and translocality in nature.

Contractor companies for construction projects shall pay attention to developing new technology, improving the level of technology and of operation and management and strive hard to strengthen their competitive strength.

4. Establishment of urban comprehensive development companies and comprehensive development of land and houses in cities and towns. Cities and towns and large industrial and mining districts with the necessary conditions shall gradually establish this category of developing companies which shall operate independently and be solely responsible for own profits and losses. Comprehensive development companies shall, in accordance with the general plan of cities and towns, formulate construction plans for developing areas. Through the public bidding process, they shall organize the construction of basic municipal facilities, public utilities, power work, communication facilities, housing and the relevant accessory facilities. The circulation funds needed shall be provided by loans from the construction bank. Developing companies already established shall actively create conditions for becoming economic entities as soon as possible.

Comprehensive developing companies may transfer, with compensation, and/or sell land-development projects, housing and building facilities, but shall not be entitled to charge any development fees on undeveloped land.

5. Surveying and planning shall develop in a business and socialized manner and there shall be an overall enforcement of the technical and economic contract responsibility system. In undertaking their tasks, surveying and planning units shall all sign contracting agreements, collect surveying and planning fees in accordance with the scale of charges stipulated by the state, operate in a businesslike manner, carry out independent business accounting and be solely responsible for own profits and losses. Internally, the surveying and planning units may enforce contracting by projects or by specialities. The bonuses payable to the planning personnel shall be linked with the size of their individual contributions and shall have no top or bottom limits. Surveying and planning units shall be encouraged to actively adopt and open up advanced technology. Units doing high-quality planning work, or which have helped to lower construction cost, or shorten the construction period or achieved notable results in improving economic results may appropriately increase their planning fees or be given a portion of the savings effected in investment; special encouragement and award shall be given to those personnel who have made big contributions; units and individuals who have delayed the progress of planning work or have caused mishaps in the quality of the planning shall have their planning fees and bonuses reduced or be subject to other penalty measures.

Surveying and planning units shall give priority to ensuring the completion of surveying and planning tasks on major projects.

Surveying and planning units shall break the demarcation line between departments and localities and develop public competitive bidding for planning jobs. State-run or collective planning units and individuals doing planning work whose qualifications have been duly screened and who have already received surveying and planning certificates may all take part in the public bidding.

The current fees for planning enterprises shall principally be applicable to the preliminary part of the work on construction projects and to developing new technology.

The various departments and various localities shall adopt the method of signing contracting agreements with the amount of expenses contracted, and as soon as possible organize the formulation and/or revision of the various kinds of standards, regulations and fixed amounts of estimates, budgets and expenses actively adopting international standards and advanced foreign standards.

6. Enforcement of the policy of encouraging savings in investment and starting of production work ahead of schedule by the contractor unit.

Savings in investment derived from enforcement of the system of investment contracting for the construction projects shall all be deemed to be the income of the contractor unit; but the construction unit may retain a fixed proportion thereof.

Profits derived from a construction project becoming operational ahead of the scheduled date of completion of the project shall, with the approval of the department in charge, be divided on a proportionate basis between the production preparatory unit and the contractor unit of the project.

The income of newly organized construction contractor companies and of comprehensive developing companies shall be exempted from payment of income tax for 3 years.

Funds retained by construction units and funds derived from savings in construction by contractor units which are used in building staff dormitories and/or on other collective welfare benefits and which have already been incorporated in the gross investment of the construction project shall not be included in the control target for self-raised investments.

7. Construction and installation enterprises shall uniformly promote the system of contracting for the amount of wage embodiment per 100-yuan of output value. The amount of wage embodiment shall be determined by the department in charge of the enterprise in coordination with the construction bank on the basis of the principle of the average advanced amount and within the scope of the wage expenses not exceeding the budget regulations regarding prices, fixed amounts and standard for collection of fees and charges. Internally, the construction and installation enterprises shall establish an economic contract responsibility system which, taking the end product as the objective, shall embrace the principal contents of ensuring the quality and safety of the construction project, shortening of the construction period, lowering of the production cost and general improvement of the economic results, thus preventing unilaterally seeking an increase in output value.

8. Reform of the method of management of construction funds. All state-invested construction projects shall abide by the principle of the compensatory use of funds, and financial appropriations shall be replaced by bank loans. Bank loans shall charge differential interest rates. Each year the state allocates the gross amount of funds required under the investment contract agreements to the construction bank. The contracting parties shall, on the basis of the degree of progress of the construction project and in accordance with actual needs, seek loans from the construction bank for construction purposes. The loans shall not be restricted by yearly delineations, subject to the prerequisite that the gross investment amount of the year concerned has not been exceeded.

The current method of payment or settlement of construction funds shall also be changed. The construction and installation enterprise makes a loan from the construction bank and shall settle it in one lump sum upon completion of the project, but if the project calls for completion in separate stages, settlement of the loan shall also be made in separate stages. In the event of completion of the project ahead of schedule, the savings in interest payments shall be regarded as the income of the construction contractor company, but if more interest payments have to be made because of delay in completing the construction project the additional interest payments shall be borne by the construction contractor company.

The construction bank shall actively take part in conducting research work on the feasibility of construction projects. It shall assess and offer its views on the economic results of the construction project, the possible length of time required for investment return and the repayment capacity of the construction unit concerned, thus to supply information to the department in charge of the construction project to shape its policies and in compiling its planning tasks (or when rendering a report on the feasibility of the project concerned).

The construction bank shall render support in the form of granting loans to the construction contractor companies and the urban comprehensive developing companies, and shall, in accordance with the state's regulations, reinforce its financial supervision over them.

9. Reform of the procedure for the supply of construction materials. Gradually, the materials department shall directly supply the materials to the construction contractor unit and the latter shall enforce the system of contracting for both labor and materials. The materials supply units shall enforce the system of contract supply responsibility according to projects. As for the projects designated by the state for construction within a rational construction period, the contractor unit and the China Principal Corp for the contracting of capital construction materials and accessories shall sign a contract for the supply of materials as listed in the planning documents. The agreement shall guarantee the supply of the materials, specify the responsibilities of both sides and detail the provisions for awards and penalties. Alternatively, a materials contracting company may contract for the supply of the materials on the basis of the gross amount of money estimated in the budget as required for the materials. It is necessary here to handle well the relations between key construction projects and ordinary projects and prevent the latter from superseding the former. Priority shall be given to supplying the materials for key construction projects. As for

the materials needed by other construction projects, the construction contractor unit may select the best materials supply unit and sign an agreement with it for the supply of the materials, or directly order the materials from the manufacturing enterprises. In the event that allocation under the state plan cannot supply all the needs, the insufficient portion may be purchased at negotiated prices. This possible factor shall be duly taken into consideration at the time of compiling the gross estimate for the project concerned.

The various levels of units contracting to supply capital construction materials shall gradually be formed into economic entities possessing the status of legal persons, do independent business accounting, and be solely responsible for their own profits and losses. They shall gradually evolve into a principal form for organizing the supply of materials for capital construction projects.

Materials departments at various levels shall actively take part in regulation by market mechanism. They shall devote efforts to organizing the sources of supply (including importing) of materials in stringent supply, set up retail sales stores and generally meet and regulate market needs.

In regard to construction materials for the localities, in general the method of public bidding shall be adopted and the unit best qualified shall be selected.

The work of supplying house construction materials for the countryside shall be augmented. The construction and building materials trades shall separately set up their own companies, handling the marketing of building materials and products for housing construction in the countryside. At the same time, the role of the materials supply departments in the supply of building materials for the countryside shall continue to be brought into full play.

10. Reform of the method of supply of equipment. While still at the stage of studying the feasibility of a construction project, the construction contractor unit shall initiate negotiations with companies handling the supply of whole-set equipment or directly with equipment manufacturers on the model of equipment to be selected, price quotations and so forth. The companies handling the supply of whole-set equipment shall actively provide the necessary technical and economic data concerning the equipment and provide answers to inquiries. After the project has been incorporated into the 5-year plan, a tentative agreement to supply the equipment may be signed and prior arrangements shall be made for the making of large equipment and key equipment for special uses which require a long time in manufacturing. After the relevant planning document has been sanctioned, the construction contractor unit and the company supplying the whole-set equipment, or the manufacturer, shall formally sign an agreement for the supply of the equipment. Priority shall always be given to the supply of equipment required by the key construction projects of the state.

Companies supplying whole-set equipment shall gradually evolve into economic entities which do independent business accounting, are solely responsible for their own profits and losses and possess the status of legal persons. They shall actively enforce the equipment contract responsibility system and the compensatory agreement system which clearly designate the responsibilities of

each party and the conditions for award and penalty. The agreement may take the form of contracting for delivery of the list of equipment required by the contracting-out unit or that of a package contract on the total estimated cost of the equipment designated in the budget. Efforts should be devoted to organizing the making of whole-set equipment according to unit, system or production line. Comprehensive contracting covering all the way from the initial planning of the technical product to its installation and working in combination with scientific and research planning units and manufacturers may also be tried out with the objective of raising the technical level and the economic benefits of the equipment.

In the case of certain small quantities of scarce products provided for in the state plan which cannot be obtained in the country, permission may be given to the contractor unit to import them from abroad or to import the materials and parts for possessing and assembling in the country so as to form a whole-set equipment.

11. Reform of the existing procedure of examining and approving. It is necessary to simplify the procedure of examining and approving, delegate this power to the lower levels, reduce the number of stages, and generally increase efficiency. From now on, in regard to the projects requiring the state to examine and approve, the State Planning Commission shall need to examine and approve only the project recommendation form and the report on the planning tasks (in the case of projects concerning utilization of foreign capital and importation of technology, the report on the study of the feasibility of the projects shall suffice).

12. It is necessary for construction enterprises under the system of public ownership to maintain a backbone contingent of technicians who have a high technological level and are strong in fighting power. At the same time, permission shall be given to collectives and individuals to start construction businesses, to those construction units which have the necessary business permits to take part in the submission of tenders and to contract for construction jobs, and also to state-run enterprises and collective construction enterprises to jointly contract for construction jobs.

13. Reform of the system of employment and use of labor by construction and installation enterprises. State-run construction and installation enterprises shall gradually reduce the proportion of fixed or permanent workers. From now on, with the exception of the necessary backbone technicians, in principle, no more fixed or permanent workers shall be employed and the system of contract workers shall be actively promoted and the ratio of contract workers shall be increased.

14. Promotion of the method of treating residential units as commodities. Large and medium-sized cities and towns shall gradually extend the building of residential units, treating them as commodities. The required circulating funds for construction shall be provided by various channels, such as loans from the construction bank, the enterprise units raising the funds themselves, and so forth.

Commodity residential units shall, under different conditions, be sold at full price, or at subsidized price, or rented at negotiated price. In the sale of residential units at subsidized price, priority treatment shall be accorded to units and individuals in difficult straits.

15. Enforcing the method of local governments taking unified responsibilities for land requisition. From now on, concerning land approved for construction uses, the county or city people's government shall take unified responsibility and enforce the system of contracted use of land-requisition fees (referring to fees to cover various expenses and land-administration fees stipulated under the "Regulations Governing Land Requisition by the State for Construction Uses") so as to ensure the use of the land for construction.

Application for the use of land for construction purposes in cities and towns may be made by the comprehensive development company or the land-using unit. Following approval by the government organ responsible for examining and approval, the land may be developed and used for construction.

People's governments of the various provinces, autonomous regions and directly subordinate municipalities shall, in accordance with the "Regulations Governing Land Requisition by the State for Construction Uses" and other relevant regulations of the state, formulate, within this year or next, the method for the contracted use of land-requisition fees and submit same to the State Council for reference.

All central projects and local projects shall be treated alike in the enforcement of the regulations governing the method of contracting.

16. Reform of the method of supervising the quality of construction work. In the case of large and medium-sized industrial and communication construction projects, the construction unit shall be responsible for supervision and checking. In the case of ordinary civilian projects, authoritative organs established by the cities and towns for the supervision of the quality of the projects shall, under the leadership of the local governments and in accordance with the relevant regulations and technical standards, carry out the supervision and checking of the quality of the construction projects of the locality. These organs shall be managed in a businesslike manner and may collect definite supervision and examination fees from the entrusting units.

The various departments and localities shall, in accordance with the above regulations, strengthen their leadership over the reform of the structure of the construction industry and capital construction management, educate the cadres at various levels, stand at the frontline of the reform and grasp well the work of reform. They shall adopt various effective measures to speedily train operation and management personnel suited to the reform of the structure.

For the sake of pushing forward the reform of the structure of the construction trade and of the system of capital construction management, it has been decided to form a reform leadership unit which shall be composed of personnel designated by the relevant departments including the State Planning Commission, Ministry of Construction, Commission for Restructuring the Economic System, Ministry of Finance, Ministry of Labor and Personnel, Ministry of Machine-Building Industry, State Resources Bureau, Construction Bank, and Ministry of Agriculture, Animal Husbandry and Fishery. The unit shall be responsible for formulating the relevant concrete regulations and make timely investigation and solution of problems arising in the course of reform.

CSO: 4005/756

STATE COUNCIL CIRCULAR APPROVAL OF PLANNING SYSTEM REFORM STEPS

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 30 Oct 84 pp 875-876

[State Council Circular on the Approval and Circulation of State Planning Commission "Provisional Stipulations on the Reform of the System of Planning" (4 October 1984)]

(Guofa (1984) No 138)

[Text] The State Council concurs with the State Planning Commission's "Provisional Stipulations on the Reform of the System of Planning." These stipulations are now circulated to you and you are requested to carry them out.

In order to suit the needs of internally enlivening the economy and opening to the outside, it is necessary to reform the existing system of planning in our country. The major problems with the existing system of planning are over-centralization, overly tight control, excessive proportion of mandatory planning, neglect of regulation by market mechanisms, and not being skillful enough in the use of regulation by economic tactics. Hence, it is necessary to observe the spirit calling for "control, and control well, the major side and let loose and enliven the minor side," suitably narrowing the scope of mandatory planning and extending the scope of guidance planning and regulation by market mechanism. Regarding important economic activities with a bearing on the national economy and the people's standard of living, mandatory planning should be enforced, while concerning the large quantity of ordinary economic activities, guidance planning should be enforced. At the same time, regulation by market mechanism should be enforced on the catering trade, the service trade and production of minor commodities. After extending the scope of guidance planning and regulation by market mechanism and in order, on the one hand, to achieve initiative and lively development of the economic activities of the units at the grassroots level and, on the other hand, to avoid having economic activities of enterprises be contrary to the demands of developing the national economy, it is necessary, simultaneously with the adoption of the necessary administrative measures, to make greater use of economic regulatory measures and to formulate the corresponding control regulations and economic statutes. In order that the various kinds of economic levers coordinate well with each other and that there be better realization of the planning target, the State Council has decided that the State Planning Commission shall take the lead in making a comprehensive study of the employment of economic regulatory tactics.

Reform of the system of planning is complex work and covers an extensive field. It calls for observance of the principle of calling for enthusiasm and safety and requiring absolute certainty on our part before revising any one article. The State Planning Commission's "Provisional Stipulations on the Reform of the System of Planning" illustrates the above-mentioned spirit. The State Council concurs with their enforcement on a trial basis commencing from 1985. It is necessary that the State Planning Commission intensively study and formulate a project for the overall reform of the system of planning in combination with the reform of the whole economic system, particularly the reform of the system of pricing.

As for the list of mandatory planning targets on industry and communications and guidance planning targets under the care of the State Planning Commission, the list of materials under unified distribution, the list of commodities under mandatory planning and the list of commodities supplied for export, they will be circulated later, after the State Planning Commission, in consultation with the relevant departments and localities, has them concretely formulated.

CSO: 4005/756

PROVISIONAL STIPULATIONS FOR PLANNING SYSTEM REFORM

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 30 Oct 84 pp 876-883

[State Planning Commission Provisional Stipulations on the Reform of the System of Planning (31 August 1984)]

(Guofa (1984) No 138)

[Text] The existing system of planning is not suited to the development of the current economic situation. The principal problems are overcentralization, over-tight control, excessive weight placed on mandatory planning, neglect of regulation by market mechanism and lack of skill in the use of regulation by economic tactics; in addition, in planned management, input and output are not linked together, a strict responsibility system has not been established, and the phenomenon of "everybody eating from the same big pot" is prevalent, the whole situation is generally harmful to fully arousing the enthusiasm of various quarters and to the rapid development of the national economy.

In order to conform with the needs of internally enlivening the economy and opening to the outside, and to follow the spirit of the State Council of "exerting control over, and controlling well, the major side and letting loose and enlivening the minor side" and the spirit of "simplifying administration and delegating power," it is necessary to step up the reform of the system of planning. A planned economy includes mandatory planning and also guidance planning. Actual practices over the past 30 years have shown that it would be only one-sided if we were to interpret planned economy as embracing merely mandatory planning. We cannot, and it is not necessary to, adopt the method of mandatory planning to manage all activities. With the exception of certain important economic activities with a bearing on the national economy and the people's standard of living which require mandatory planning, guidance planning should be enforced on the large amount of ordinary economic activities. Regulation by the market mechanism is a necessary and beneficial supplement to a planned economy. At present, it is necessary to suitably reduce the scope of mandatory planning, extend the scope of guidance planning and of regulation by the market mechanism, and to further enlarge the decisionmaking power of enterprises. In regard to guidance planning, the state should adopt economic regulatory tactics to bring about its realization, while for mandatory planning, the state should also consciously utilize the law of value. By means of reform, on the one hand, the enthusiasm of units at the

grassroots level and of the workers will be aroused and the economy will be enlivened and, on the other hand, we can strive to maintain the proportionate development of the national economy and the activities of the enterprises will not run counter to the demands of the development of the whole economy. In so doing, it is possible not only to ensure fulfillment of the state's major production and construction projects and meet the basic material and cultural demands of the people but also to reflect, in a relatively acute manner, the changes in market demand and supply, to promote the further development of commodity production and the social productive forces, and to bring the superiority of the socialist system into full play.

Based on the above-mentioned guidelines and principles and the actual situation at present, the following stipulations are made on improving the system of planning:

I. Production Plan

In agriculture, the state will enforce guidance planning on the production of the main agricultural and sideline products and, on the basis of the plans submitted by the provinces, autonomous regions and municipalities, and after balancing, will fix the state plan. The state will fix mandatory targets in regard to quantity, variety and quality on purchases and transfers of large quantities of agricultural and sideline products with a bearing on the national economy and the people's standard of living, including grain, cotton, edible oils, flue-cured tobacco, jute and hemp, hogs, and the second category of marine products and the targets will be confirmed by purchase agreements signed from the lower levels up to the higher levels. Surplus portions after purchase will be left completely open. As for other agricultural and sideline products, with the exception of those which the departments-in-charge under the State Council, and provinces, autonomous regions and directly subordinate municipalities have separately stipulated, they will be subject to regulation by the market mechanism.

In industry, the state enforces guidance planning on the production of the principal industrial products. In order to ensure meeting the needs of key production and construction projects, in regard to the important products (including quantity and variety) subject to the state's unified distribution and allocation, including coal, crude oil and various kinds of oil products, steel materials, nonferrous metals, timber, cement, electric power generation, basic chemical raw materials, chemical fertilizer, important electrical equipment, chemical fiber, newsprint, cigarettes and products of the war industry, mandatory planning will be enforced and the linking together of the main production conditions will be well arranged. The various ministries, and various provinces, autonomous regions and directly subordinate municipalities, following the principle of tiered management, may, outside of the mandatory planning stipulated by the State Planning Commission, also issue mandatory planning for a few important industrial products of their own industries and trades and their own localities and the departments and localities will be responsible for balancing and equalizing the major conditions needed for production. The large enterprises to which the state issues mandatory plans shall carry only one set of accounts and level-by-level addition of accounts shall be prohibited. In the event that alternation must be made on a mandatory plan, approval must be sought from the

unit issuing the plan. With the exception of separate stipulations made by the state, the prices of products under the mandatory plan shall uniformly follow the unified prices fixed by the state. Subject to the prerequisite of ensuring fulfillment of the state mandatory plan and of the contracts for supply of goods, the enterprises may organize surplus production, and the portion in excess of planned production, except for products which the state specially bans from self-marketing, may be wholly self-marketed (no change in the stipulation that the enterprise may self-market 2 percent of the output of steel products under the plan). The state materials department may make purchases of the self-marketed products of the enterprises. In the case of self-marketed means of production for industry, the prices may float or fluctuate in accordance with the range fixed by the state; in the case of means of consumption and means of production for agriculture for self-marketing, enterprises shall follow the stipulated prices of the state (including the floating prices stipulated by the state), but enterprises may make use of them in cooperation undertakings with outside units. Enterprises shall accept orders in strict accordance with the quantity, variety and specifications stipulated under the state mandatory plan and the buyer's specifications. Those failing to fulfill the state's mandatory plan shall have to deduct the corresponding amounts of raw materials and energy resources allocated by the state from the planned targets for the ensuing year; in addition, fines shall be levied on them and the fines shall be paid out of the retention funds of the enterprises. As for products under the guidance planning of the state, enterprises may follow the direction guided by the state plan and, based on the availability of the raw materials and energy supply as well as on market needs, arrange by themselves for their production and marketing, striving to fulfill the state plan; the prices of the products may, following the relevant stipulations of the state, be either the unified prices or floating prices or fixed prices negotiated by the buyers and sellers. Prices of products not covered under any state plan shall be subjected to regulation by market mechanism.

In the sectors of transportation, post and telegraph, the state shall enforce guidance planning on the freight transport volume of the railways of the whole country, the freight transport volume of highway motor vehicles, the volume of freight handled by ports and harbors, the volume of freight handled by ships and barges in water transport, the gross turnover volume of freight transport by civil aviation and the gross business volume of post and telegraph. As for the railway transport volume of major materials, the freight transport volume in water transport directly subordinate to the ministries, and the freight-handling volume of principal coastal ports, the state shall enforce mandatory planning.

II. Planning of Investments in Fixed Assets

The gross scale of investments in the fixed assets of units under the system of public ownership shall be controlled according to plan.

In the investments in capital construction, those investments incorporated into the state budget whose financing has been changed from state appropriations to bank loans, capital construction loans included in the state credits and loan plan and capital construction projects arranged through utilizing loans from international financial organs and foreign governments, all call for the state to be responsible for their balancing and shall be subjected to mandatory planning.

This portion of investments shall be principally used in construction projects needed by the state in the fields of energy, communications, raw materials, important machine-building and electronics, major scientific and technical and major intellectual development projects and national defense and the war industry.

The localities and departments shall be responsible for bringing into balance the capital construction projects invested in by self-raised funds of the localities and departments, those financed by foreign capital loaned in a unified manner by the state but requiring repayment by the localities themselves, and those financed by foreign loans arranged, and calling for repayment, by the localities and departments themselves. These investments shall be subject to the examination and approval by the State Planning Commission which shall also determine their planned amounts, allowing a fluctuation range of 10 percent in actual operation. Capital construction in nationality autonomous localities shall be carried out in accordance with the stipulations of the "law on regional national autonomy of the PRC," that is to say, under the guidance of the state plan, and based on the financial power, material power and other concrete conditions of the localities, to be arranged autonomously. Yunna, Guizhou and Qinghai shall also enforce the measures applicable to the national autonomous localities. As for the concrete projects of the localities and departments financed by their own self-raised investment funds, the various provinces, autonomous regions, directly subordinate municipalities and the various departments shall themselves take charge of their balancing and arrangement. This portion of the investments of the localities shall principally be used on construction projects in such sectors as local energy resources, transportation, post and telegraph, raw materials, construction materials, building construction, agriculture, forestry, water conservancy, light and textile industries, food industry, machine-building and electronics, commerce, grain, science and technology, culture and education, public health, sports, residential units, environmental protection, municipal works and public utilities. In order to control the gross scale of capital construction and to guide the direction of use of self-raised investments, self-raised investment funds for any 1 year shall be deposited in the construction bank one-half year in advance, with the exception of investments in such sectors as energy resources (including energy economy), communications, teaching facilities in schools, medical equipment for hospitals and environmental protection facilities; on the others a building tax shall be levied. It is necessary to adopt economic measures to control self-raised investments from exceeding the range of fluctuations fixed by the state plan (concrete measures to be separately formulated).

Regarding projects of a productive nature, those classified according to the scale of operation and which are large on medium-sized shall, as originally stipulated in the regulations, be examined and approved by the State Planning Commission or submitted by the State Planning Commission to the State Council for examination and approval; as for those classified according to capital fund limits, the State Planning Commission shall examine and approve those with capital funds of 30 million yuan or above, instead of the existing limit of 10 million yuan or above (projects undertaken by the localities or departments which raise loans for the capital and have to repay them by themselves or which directly absorb foreign capital for the purposes, the limits of capital funds applicable to the purposes of examination and approval shall follow the ruling under Article 3 of the

regulations). Any project with a gross investment of 200 million yuan or above shall be submitted by the State Planning Commission to the State Council for examination and approval. Construction projects of a nonproductive nature whose capital funds, energy supply, materials and equipment can be resolved by themselves shall be examined and approved by the various departments or the various provinces, autonomous regions and directly subordinate municipalities themselves but the amounts of investments shall be incorporated into the gross scale of capital construction investments.

Commencing from 1985, construction projects originally financed by appropriations from the state budget shall be changed to being financed by bank loans. Differential interest rates and different time limits for repayment of loans shall be applied to different construction projects. The state may grant exemptions to a few construction projects which are really incapable of repaying the loans.

From now on, large and medium-sized projects need only submit the project recommendation form and report on the planning tasks to the State Planning Commission for examination and approval (in the case of projects which utilize foreign capital and introduce foreign technology, the report on planning tasks may be replaced by a report on the feasibility of the project). The unit concerned, following approval of the report on the planning tasks, may proceed with the planning work and invite tenders. The planning shall be examined and approved by the various departments or various provinces, autonomous regions and directly subordinate municipalities. The estimate for planning expenses shall not exceed 10 percent of the investment amount specified in the report on the planning tasks. In the case of large and medium-sized projects incorporated into the long-term plan or plan on work in the early stage of construction, the project recommendation form shall be submitted to the State Planning Commission for approval while large and medium-sized projects incorporated into the 5-year plan shall have the report on planning tasks submitted to the State Planning Commission for approval.

Regarding the investments for technical transformation, mandatory planning shall apply to those technical transformation projects arranged by appropriations from the state budget and those budgets arranged through the state's utilization of foreign funds; as for loans for technical transformation incorporated into the state credit and loan plan, the People's Bank shall exercise control over them according to plan. In the case of technical transformation arranged by the departments, localities and enterprises which raise the investment funds themselves, guidance planning shall be enforced. At the same time, the authority limits of the technical transformation projects of the localities and departments subject to examination and approval shall be raised. The State Planning Commission shall have the authority to examine and approve projects of 30 million yuan or above, in lieu of 10 million yuan or above originally; any project with a gross investment of 200 million yuan or above shall be submitted by the State Planning Commission to the State Council for examination and approval. Of the composite transformation plan of large backbone enterprises already approved by the State Planning Commission, the individual project items need not be submitted again for examination and approval.

The various provinces, autonomous regions and directly subordinate municipalities shall separately make estimates of the capital construction investments in units under the system of collective ownership in the cities and the countryside. Guidance planning shall be carried out and reported to the State Planning Commission for reference.

III. Plan for Utilization of Foreign Capital and Foreign Exchange Holdings

In the compilation of the state plan for international payments, guidance planning shall apply to the gross amount of the utilization of foreign capital; as for the amounts of receipt and payment in foreign exchange under the unified arrangement of the state, mandatory planning shall apply.

The gross amount of the utilization of foreign capital planned by the localities and departments shall be reported to the State Planning Commission for checking and decision. In regard to construction projects making use of foreign capital (including capital construction and technical transformation projects), under the conditions that the capital funds (including foreign exchange and RMB), energy resources, transportation, raw materials and other production and construction conditions can be arranged and balanced without outside help, the limits of the authority for examining and approving the projects, based on the gross investment on each project, shall be increased to as follows: Beijing and Liaoning Province, any project not exceeding a gross investment of \$10 million; other provinces, autonomous regions and Chongqing, Shenyang and Wuhan municipalities, any project not exceeding a gross investment of \$5 million; and the relevant party committees of the ministries of the various industries, and of communications, agriculture and forestry (including ministry-grade principal industrial corporations), no project exceeding a gross investment of \$5 million.

Following the state's decision to further open up the coastal ports, cities and towns, in the case of projects of a productive nature which utilize foreign capital for their construction, whose construction and production conditions do not need to go through a comprehensive balance by the state, whose products the state does not need to take complete charge of and, when exported, have no bearing on any quota system, and which can repay the loans themselves, the authority limits in examination and approval for each project are as follows: the two municipalities of Shanghai and Tianjin, increased to not exceeding \$30 million; the two municipalities of Dalian and Guangzhou, increased to not exceeding \$10 million; and other coastal ports, cities and towns, increased to not exceeding \$5 million.

In the case of nonproductive construction projects which principally rely on the use of self-negotiated and self-repaid foreign capital and/or loans, on self-provided capital funds and materials and imported equipment to carry out construction work and which do not need to go through the state's comprehensive balance, their examination and approval shall be handled by the various departments, and various provinces, autonomous regions, directly subordinate municipalities and coastal ports, cities and towns themselves.

The limits of the authority for examining and approving projects introducing foreign technology and requiring the use of the state's foreign exchange and self-owned foreign exchange holdings of the departments and localities shall be increased. Projects at \$5 million or above shall be examined and approved by the State Planning Commission, while projects below this limit shall be examined and approved by the various departments and the various provinces, autonomous regions and directly subordinate municipalities. The total amount of their own foreign exchange holdings which the departments and localities have used on projects for the importation of foreign technology shall be reported to the State Planning Commission in a timely manner for reference.

IV. Materials Distribution Plan

The state has enforced a planned distribution system on a portion of several important materials, such as coal, iron and steel, timber, and cement. The major purposes of the system are: meeting the needs of the state mandatory production plan; meeting the needs of investments originally financed by appropriations from the state budget but changed to being financed by bank loans, which the state is responsible for balancing, of capital construction loans incorporated into the state credits and loans plan and of capital construction arranged by the state's use of foreign capital; meeting the needs of important technical transformation and important scientific research projects financed by the state directly arranging for financial appropriations and special loans; and meeting the needs of national defense, the war industry, the state's foreign aid, and subsidies to border regions. As for the requirements of agriculture, production of farm machines, light industry, markets and local capital construction, technical transformation, maintenance and other sectors, in general the basic figures of distribution under the 1984 plan shall be maintained. Additional needs, aside from being met by resorting to self-owned material resources, may be met through regulation by the market mechanism and the use of self-owned foreign exchange holdings to import them from abroad.

Requirement for materials needed for production in excess of the production plan shall be met by the enterprises procuring or purchasing them from the market. Central cities and towns shall set up trade centers for means of production, endeavor to regulate social supply and demand, and generally enliven the circulation of materials.

The state arranges for the supply of the principal materials required for production of those important electrical machinery equipment units which are under the unified distribution plan of the state. As for ordinary electrical machinery equipment and accessory products, the localities and the enterprises shall themselves arrange for their production and marketing and the requirements for materials shall be met by various channels and various sources. In the case of important whole-set equipment, the user unit shall gradually employ the method of inviting manufacturers and companies handling the supply of whole-set equipment to submit tenders for contract production.

V. Plan for Commerce and Foreign Trade

Regarding the gross volume of retail sales of the commodities of the entire society, the state enforces guidance planning, while in the purchases and allocation of important commodities essential to the people's daily life, mandatory planning shall be enforced.

The state shall enforce guidance planning on the gross volume of imports and exports but in regard to the gross volume of imports and exports which are under the state's unified arrangements and the principal import and export commodities, mandatory planning shall be enforced.

VI. Plan on Labor and Wages

The state shall issue planned targets on the number of staff members and workers and on the gross volume of salaries and wages of enterprise units under the system of public ownership. With the exception of small enterprise units which are engaged in the hiring, renting and contracting trades and which are solely responsible for their own profits and losses, the gross volume of the salaries and wages of enterprises shall be increased or reduced according to the state's fixed ratio based on the condition of the fulfillment of the state plan and good or bad economic results. Increases in the average remuneration for the staff members and workers shall be lower than increases in the labor productivity rate. In addition, the state shall collect a tax on bonuses or resort to other taxation measures to keep the gross volume of salaries and wages under control.

VII. Plan for Culture, Education and Public Health

On the side of education, the number of new students to be enrolled as research students and in the regular and special causes of the general higher institutions of learning and specialized middle schools and the number of graduates for distribution shall be governed, on the principle of graded management, by mandatory planning issued respectively by the State Planning Commission, the relevant localities. Under the prerequisite of fulfillment of the state's enrollment plan, the various higher institutions of learning may accept requests for training and teaching or organize combined institutions of learning. As for the other sectors of culture, education and public health, plans for student enrollment in middle schools and primary schools, hospital beds, the cinema and the publishing, broadcasting, television and sports enterprises shall be formulated and determined by the departments and localities and the latter shall be responsible for achieving a balanced development and report to the State Planning Commission for reference.

VIII. Enforcing Diversified Forms of the Planned Contract Responsibility System

Regarding the allocation and transfer targets of such materials as steel products and coal and certain kinds of commodities, the various departments, localities and central cities and towns shall separately try out diversified forms of the contract responsibility system. Major industrial enterprises shall gradually try out the method of contracting to progressively increase the volume of output.

With respect to major construction projects, such as those in the sectors of energy, communications and raw materials, the departments and localities shall gradually enforce the all-round contract system. The contracting may cover the gross investments of the 5-year plan, and may also cover individual projects of the plan with special reference to the scale of construction, time of project entering into production, newly increased production capacity, newly increased output volume, product varieties, and the recovery period of the investments; yearly investments which are covered by loans from the construction bank on the basis of the progress of the construction project and also on the conditions of the related accessory projects may not be subject to limitation to any particular year, provided the gross amount of the investments for the year has not been exceeded. Regarding construction projects in general, one lump-sum settlement shall be made on completion; in the case of large projects, settlement shall be made on the completion of individual items. Funds saved by early completion of a project shall be retained by the contractor unit, but the contractor unit has to bear the responsibility for any extra funds incurred on account of delay in completing the project. Construction units shall enforce the tender contract responsibility system.

IX. Strengthening Balancing Work on the National Economy

After the power of planned management has been delegated downward, the scope of mandatory planning is narrowed while the scope of guidance planning and regulation by the market mechanism is extended. It is necessary for planning commissions at various levels to grasp well the whole society's financial power (including finance, credits and loans), material power, manpower (particularly persons of special talents); the work of balancing foreign exchange operations and arranging well the speed of economic development, the scale of fixed-asset investments, development of major projects, geographical distribution of industries, the degree of improvement of the people's standard of living, and the main proportionate relationships between agriculture, light industry and heavy industry and between accumulation and consumption. The expansion of the scale of fixed-asset investments must be in line with the increase in production of the means of production; improvement in the people's standard of living must conform with increases in the output of the means of consumption. It is necessary for the state to rigidly control, according to plan, the issuance of banknotes and keep in control the general level of commodity prices in the market, and to stipulate the volume of bank loans for fixed-asset investments. Concerning the major industrial consumer goods, the principal agricultural and sideline products subject to state purchases and distribution and a few means of production under planned distribution, the planned pricing system should be enforced. It is also necessary to proceed further with the development of economic cooperation and strengthen the organization work in this connection.

Plans for development of the national economy and for social development shall gradually take 5-year planning as the principal form, the yearly plan shall be simplified, and long-range regulations shall be formulated. At the same time, it is necessary to formulate trade regulations, locality regulations, national territorial regulations and certain special regulations and to establish a planning

system for the combination and coordination of long-, medium- and short-term plans with the regulations on special topics. In the 5-year plans, the annual targets of the major projects shall be listed. The annual industrial production plan shall be so arranged as to conform with the demands of the 5-year plan, and in accord with the actual output volume of the preceding year and the estimated output volume available from newly increased production capacity, also taking due consideration of actual social needs. At the same time, the fixed cooperation relations between enterprises shall be further extended and the state's unified distribution of materials shall, as far as possible, enforce the system of fixed supply, so as to ensure a stable production order in the enterprises.

X. Strengthening the Overall Employment of the Various Kinds of Economic Levers

With planned targets as the center, the planned and timely readjustment of prices, taxation, interest rates, wages, financial subsidies and so forth, shall be taken as the main constituent parts of the national economic plan and be converted into effective tools for realizing the state plan. The State Planning Commission shall take the lead, in association with the various relevant departments such as the State Economic Commission, Finance Ministry, Ministry of Labor and Personnel, People's Bank, State Price Bureau, the Customs Administration, and the Bureau of Taxes, in conducting comprehensive research on the employment of economic levers and carrying out mutual coordination work. Planning commissions of the various provinces, autonomous regions and directly subordinate municipalities shall likewise take the lead in coordinating the work of making use of economic levers and set up organs for the study and use of economic levers.

XI. Strengthening the Control of Economic Information and Doing a Good Job of National Economic Forecasting

After the localities and departments have confirmed their self-arranged production plans and plans for fixed-asset investments (including construction projects and newly increased production capacity), they shall within one-half month send a statement, detailing the important conditions of the arrangements under their plans, to the State Planning Commission. The State Planning Commission, in conjunction with the relevant departments, shall periodically publish information on production, construction, science, technology and market changes to guide the formulation and execution of plans. The planning commissions at various levels and the various departments shall speed up the establishment of economic information networks, set up and reinforce organs for economic information control and economic forecasting, actively develop and render inquiry services concerning the various forms of economic planning, assist the enterprises to perform a good job in production and construction, promote progress in technology and push forward the introduction of foreign capital.

It is also necessary to strengthen research work on theories of planned economy and on important economic problems. It is necessary to improve the existing method of planning, actively adopt the method of economic quantitative analysis, promote the application of computerization technique, speed up the modernization of planning tactics, and perform well the forecasting of economic and social development for the guidance of national economic development and social development.

XII. Compilation of the Appropriate Economic Statutes and Management Rules

It is necessary to grasp tightly the formulation of rules on planned management, improve and perfect the economic statutes, particularly those related to capital construction and the use of foreign capital, vigorously implement economic judicial codes and economic supervision, and preserve and protect the solemn nature of the state plan.

The various departments and localities shall make the appropriate reforms on their planning systems in compliance with the above-mentioned spirit. The two provinces of Guangdong and Fujian and the Xizang Autonomous Region shall follow the special policy prescribed by the central government and the State Council.

As for the list of mandatory planning targets and guidance planning targets under the charge of the State Planning Commission, the list of materials under unified distribution, the list of commodities under mandatory planning and the list of commodities supplied for export, the State Planning Commission will, in consultation with the relevant departments and localities, have them concretely formulated.

CSO: 4005/756

CIRCULAR ON APPROVAL OF REPORT ON FOREIGN TRADE REFORM

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 30 Oct 84 pp 883-884

[State Council Circular on the Approval and Circulation of the Report by the Ministry of Foreign Economics Relations and Trade on the Reform of the System of Foreign Trade (15 September 1984)]

[Text] The State Council has approved the "Report on the Reform of the System of Foreign Trade" submitted by the Ministry of Foreign Economic Relations and Trade. It is now circulated to you and it is wished that you seriously implement it.

In order to bring about a better development of foreign trade and meet the needs of socialist modernization, it is necessary to carry out a reform of the system of foreign trade. The reform of the system of foreign trade is a major reform of our country's reform of the economic structure. It is of great significance to the implementation of the country's policy of opening up to the foreign world and enlivening the domestic economy, further developing our country's foreign trade and speeding up the cause of the four modernizations.

The reform of the system of foreign trade is extensive in scope, the sense of policy is strong and the tasks are tough. It is wished that cadres of various levels of the economic relations and trade system, of various localities and various departments unite their thinking, enhance their understanding, get rid of the old constraints, break through the restrictions of the force of habit, emancipate their minds and be bold to make creations and initiate reforms. It is necessary to seriously and practically do a good job and organize implementation in a planned and scheduled way. It is necessary, in the course of implementation, to promptly study and solve new situations and questions which arise from work. The Foreign Economic Relations and Trade Ministry must pay attention to mastering the situation of reform, promptly study and solve questions arising from reform and ensure the smooth progress of foreign trade work.

After carrying out the reform of the system of foreign trade, the Ministry of Foreign Economic Relations and Trade must exercise unified leadership over the country's foreign trade, exercise management, fully exercise the state function

of managing foreign trade, giving play to the initiative of various aspects and centralizing transactions with foreign merchants. It is necessary to effectively make use of administrative and economic approaches, and speed up development of foreign economic relations and trade.

Various localities and various departments must proceed from the overall situation, strengthen leadership, work in coordination and close connection and ensure the smooth progress of this reform. We unswervingly believe that with the concerted efforts of all of us, we will definitely obtain success in this work and there will be a new situation in our country's foreign economic relations and trade, making a new contribution to the acceleration of the development of our country's national economy.

CSO: 4005/756

MINISTRY REPORT ON FOREIGN TRADE REFORM ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 30 Oct 84 pp 884-888

[Report by the Ministry of Foreign Economic Relations and Trade on the Reform of the System of Foreign Trade (Summary) (14 August 1984)]

[Text] In order to implement the policy of opening up to the world and enlivening the domestic economy, fully mobilize initiative of various aspects, further develop our country's foreign trade and speed up socialist modernization, it is necessary to reform the foreign trade system.

The basic principles of reform of the foreign trade system affirmed by the State Council are: 1) separating government from enterprises, the Ministry of Economic Relations and Trade should exercise specialized management; 2) the system of agency should be adopted in foreign trade business; 3) integrating industry and trade, technology and trade and export and import. In light of this, we have carried out serious discussions with the relevant departments on the basis of conducting surveys and now propose the following opinions on the reform:

I. Separating Government From the Enterprises, Strengthen Administrative Management Over Foreign Trade

When the policy of separating government from enterprises has been implemented in foreign trade, the Ministry of Economic Relations and Trade and the provincial, autonomous regional economic relations and trade departments (committees) and such departments (committees) in the cities under direct central administration will be responsible for administrative management of foreign trade. The foreign trade enterprises are to carry out import and export business independently, carry out independent accounting and be solely responsible for profits and loss. Administrative departments at all levels must not interfere with the business of the foreign trade enterprises.

In order to safeguard the state's interests, foreign trade must adopt unified leadership and specialized management. It is necessary, on the one hand, to mobilize initiative of various aspects and, on the other hand, to uphold the principle of adopting a unified attitude toward foreigners. The Ministry of Economic Relations and Trade must make use of administrative and economic approaches to exercise leadership and management over the whole nation's foreign trade work and various foreign trade enterprises. The major duties of the Ministry of Economic Relations and Trade are as follows:

1. To formulate principles and policies for foreign trade, rules and regulations, and organize and supervise implementation.
2. To work in connection with the State Planning Commission to formulate and assign the whole nation's long-term foreign trade development plans and the annual import and export quotas, and supervise implementation. To be responsible for statistics of the whole country's foreign economic relations and trade.
3. To formulate economic measures to regulate import and export trade by making use of various economic approaches. To carry out supervision over operation of various foreign trade enterprises, formulate and enforce rules of awards and penalties for the various foreign trade enterprises.
4. To draw up foreign trade proposals for different countries and districts, organize trade talks between governments, sign trade agreements and organize implementation. Attending international foreign trade conferences on behalf of the government.
5. To examine and approve equipment, amalgamation and dismissal of overseas and domestic foreign trade enterprises. Examine and manage the representative organs of foreign enterprises stationed in China. To manage Chinese commercial and economic administrative organs abroad.
6. To examine and issue export certificates and manage and distribute quotas and limitations of import and export commodities. To formulate and revise the list of import and export commodities under unified business. To examine and approve key technological import and technological export contracts in accordance with state regulations.
7. To exercise unified management over trademarks of export products.
8. To be responsible for research work of the international market and information exchange, promptly provide the national economic relations and trade enterprises and relevant departments with information and forecast.
9. Appointment or dismissal of members of boards of directors, managers and assistant managers of various foreign trade companies throughout the country must be reported to the economic relations and trade departments at a superior level; the superior economic relations and trade departments must supervise their business activities and can recommend dismissal of incapable personnel.
10. To be responsible for leading and organizing cultivation of economic relations and trade workers in the higher institutes of foreign economic relations and trade throughout the country. To assist the localities to run well foreign economic relations and trade schools.

In accordance with the principle of management at different levels, the economic relations and trade departments (committees) of the various provinces, autonomous regions and cities under direct central administration are required, in accordance with the authorization of the Ministry of Economic Relations and Trade, to do a good job of administrative management and examination of the various local foreign trade enterprises within the extent of the above-mentioned 10 duties.

II. Simplifying Administration and Delegating Power, Fully Motivating the Business Initiative of the Foreign Trade Enterprises

The crux of the reform of the foreign trade system is simplifying administration and delegating power. The specialized foreign trade companies under the administration of the Ministry of Economic Relations and Trade, foreign trade companies of other departments and local foreign trade companies must gradually be given independence by the administrative departments to which they are subordinate, government and enterprises must be separated, they must carry out independent accounting, be solely responsible for profits and losses and develop toward the orientation of specialization and socialization.

In order to ensure development of foreign trade, we must further improve the existing national, specialized and socialized foreign trade general companies. They are the mainstay of our country's foreign trade business. We must assist their development. However, these large companies cannot monopolize all foreign trade, there must still be some medium- and small-scale companies and enterprises which possess foreign trade business rights, participate in business, which supplement each other and speed up development of each other and enliven foreign trade. Certain specialized companies can be established when the conditions are ripe in accordance with the needs. Large-scale enterprises which possess the conditions can directly carry out foreign trade with permission given.

Integrating industry and trade and technology and trade is an important policy for developing our country's foreign trade and speeding up our country's technological advances. The foreign trade enterprises must, in accordance with the specific conditions of various commodities, actively develop various forms of integration of industry and trade and integration of technology and trade with the production enterprises and scientific and technological units, providing better service to the technological reform of our country's enterprises and import of advanced technology. It is necessary to vigorously develop export of industrial products and further improve the composition of our country's export commodities. Administrative departments at all levels must give encouragement and support to integration of industry and trade among enterprises.

Various foreign trade enterprises must:

1. Seriously implement the state's principles and policies on foreign trade and the relevant rules and regulations. It is necessary to accept unified administrative management of the Ministry of Economic Relations and Trade, undertake state export remittances and other export and import tasks. It is necessary to establish an economic responsibility system which upholds equal responsibility, right and interests.
2. Enterprises which apply for foreign trade business rights must obtain approval of the Ministry of Foreign Economic Relations and Trade prior to registration with the commercial and industrial administration and management departments. Foreign trade enterprises must carry out business within approved limits independently and be solely responsible for profits and losses, they must actively develop various forms of industry and trade integration and technology and trade integration and carry out various forms of joint business.

3. The foreign trade enterprises must implement the manager responsibility system and the manager responsibility system under the leadership of a board of directors.

4. Equipment, cadre and personnel establishment, wage, bonus and so on inside the foreign trade enterprises must be adhered to in accordance with the relevant policies of the state.

5. The relationship between the foreign trade general professional company and the branches is that of a leader and subordinates. The plans and business of the branch companies must be led by the general company, separate financial accounting should be adopted and the units are solely responsible for their profits and losses. The local foreign trade companies can voluntarily integrate with the general professional company or establish collegial relationship or joint-business relationship but not to be regarded as branch companies of the general company.

III. Implement the Import and Export Agent System, Improve Foreign Trade Management

The import and export agent system means that the foreign trade enterprises provide various kinds of service, carrying out import and export business on behalf of the production and purchasing departments. The foreign trade enterprises will change handling fees and the entrusting units will be responsible for the profits and losses incurred, both the foreign trade companies and the production enterprises will ensure the fulfillment of the state foreign trade plans. The import and export agent system will bring about a direct integration of foreign trade enterprises and production enterprises, which will be conducive to speeding up industry and trade integration and technology and trade integration, improving management and improving economic results. Thus, the import and export agent system can become a basic form of foreign trade business and must be gradually popularized.

1. All import business must, in principle, carry out the agent system and the customers are to be responsible for the profits and loss.

The import agent system can speed up economic accounting, stimulate customers to use domestic products, thus conducive to economizing foreign remittances and protecting domestic production.

It is necessary to promote integration of industry and trade, integration of technology and trade, and integration of imports and exports. The foreign trade companies must seek the views of the customers and the relevant departments, such as the production and material allocation departments, in importing commodities, complete sets of equipment and advanced technology, and can invite them to participate in technology and business conferences and signing of contracts when necessary.

2. Export business should basically implement the agent system but this is to be decided in accordance with the conditions of the commodities.

Export of industrial and mineral products can basically be done by the agent system, with the production enterprises to be solely responsible for the profits and losses; other forms, such as entrusting other units to process products, joint business, joint-venture and so on, can also be adopted and the profits and losses are to be borne by both the production and foreign trade enterprises. Agricultural and sideline products and certain handicraft products can be directly procured by foreign trade companies or procured by agents or produced by joint-venture companies, or the agent system can also be adopted where conditions are favorable. It is necessary to sign economic contracts, despite the form of business, to clarify the economic liabilities of the industrial (agricultural) and trade units and the economic benefits that they deserve. Foreign trade enterprises must promote service and guidance to production enterprises, coordinate supply of the production enterprises with demand, really mobilizing the initiative of the production enterprises, attaching importance to economic results of export products and further developing toward multichannel and direct business. It is necessary to vigorously develop processing work of coastal ports and speed up development of foreign trade.

We must not do things in a rigid way in adopting the import and export system, it is necessary to allow foreign trade companies to adopt various business forms, such as running business independently, exchanging goods, cooperation, joint business and so on, in order to enliven the economy.

IV. Reform the System of Foreign Trade, Simplify the Contents of Plans

The objective of reforming the system of foreign trade is, under state unified planning, to delegate greater business decision-making rights to production and foreign trade enterprises, so that foreign trade enterprises can carry out business flexibly, suit the varying situations of the international market, improve their management abilities and fulfill state plans under the premises of obtaining maximum economic results.

V. Reform the Financial System of Foreign Trade, Strengthen Economic Regulatory Means

The gradual implementation of the import and export agent system will create conditions for breaking through the financial system of foreign trade of "eating from a big pot of rice" in which the state is centrally responsible for profits and losses. Various kinds of foreign trade enterprises must submit profits as taxation, run business independently and be responsible for their own profits and losses. They must submit taxation to the financial and taxation departments in accordance with state regulations, establish policies and measures to strengthen the economic regulatory means, establish economic responsibility systems and guide the various foreign trade enterprises to promote business in accordance with state needs.

Please approve and circulate the above report to various localities and departments for implementation if no correction is to be made.